



Kgetlengrivier Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2014

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## General Information

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<b>Nature of business and principal activities</b>	Providing Municipal services to the local community of Koster, Derby and Swartruggens
<b>Mayoral committee</b>	
Mayor / Speaker	Cllr OD Medupe
Councillors	Cllr DJ Mogale Cllr TG Naledi Cllr AVR Kgari Cllr KR Lekabe Cllr BVZ Marais Cllr ML Molefe Cllr OS Molusi Cllr JP Snyman Cllr PS Robinson Cllr PR Zwede Cllr CT Jacobs
<b>Grading of local authority</b>	2
<b>Chief Finance Officer (CFO)</b>	TB Mothogoane
<b>Accounting Officer</b>	S. Ngwenya
<b>Business address</b>	Cnr Smuts & De Wet Koster 0348
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General of South Africa

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Kgetlengrivier Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page , which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

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**S. Ngwenya**  
**Acting Accounting Officer**

**KOSTER**

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2014.

### 1. Review of activities

#### Main business and operations

Kgetlengrivier Local Municipality is a low capacity municipality and falls under the Bojanala District Municipality.

### 2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 308,349,250 and that the municipality's total assets exceed its liabilities by R 309,048,010.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Accounting Officer's interest in contracts

None have been identified.

### 5. Accounting policies

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Issued but not yet effective	Standard Applied
GRAP 18 - Segment Reporting	Not applicable
GRAP 21 - Impairment of non-cash-generating assets	IAS 36
GRAP 23 - Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 25 - Employee Benefits	IAS 19
GRAP 26 - Impairment of cash generating assets	IAS 36
GRAP 103 - Heritage Assets	Not applicable

The annual financial statements are prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board. In accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003)

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Current Assets			
Inventories	2	46,263,253	1,269,440
Other financial assets	3	5,664,767	5,318,080
Receivables from exchange transactions	4	677,883	640,554
Receivables from non-exchange transactions	5	308,138	205,436
VAT receivable	6	981,315	1,220,069
Consumer debtors	7	14,761,995	11,127,625
Cash and cash equivalents	8	1,367,727	7,107,197
		<b>70,025,078</b>	<b>26,888,401</b>
Non-Current Assets			
Investment property	18	57,579,436	55,009,225
Property, plant and equipment	9	272,646,449	264,848,734
Intangible assets	19	425,518	425,518
Other financial assets	3	21,199	20,124
		<b>330,672,602</b>	<b>320,303,601</b>
Non-Current Assets		330,672,602	320,303,601
Current Assets		70,025,078	26,888,401
Non-current assets held for sale (and) (assets of disposal groups)		-	-
<b>Total Assets</b>		<b>400,697,680</b>	<b>347,192,002</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	10	46,148,666	25,310,225
Consumer deposits	12	1,722,769	1,642,295
Employee benefit obligation	20	13,809,000	-
Unspent conditional grants and receipts	13	7,456,348	10,901,358
Provisions	14	17,014,029	11,472,155
Other liability		3,293,858	758,121
National Treasury		2,205,000	8,500,000
		<b>91,649,670</b>	<b>58,584,154</b>
Non-Current Liabilities			
National Treasury		-	3,705,000
Non-Current Liabilities		-	3,705,000
Current Liabilities		91,649,670	58,584,154
Liabilities of disposal groups		-	-
<b>Total Liabilities</b>		<b>91,649,670</b>	<b>62,289,154</b>
Assets		400,697,680	347,192,002
Liabilities		(91,649,670)	(62,289,154)
<b>Net Assets</b>		<b>309,048,010</b>	<b>284,902,848</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve	21	478,361	478,361
Capital replacement reserve		220,399	200,557
Accumulated surplus		308,349,250	284,223,930
<b>Total Net Assets</b>		<b>309,048,010</b>	<b>284,902,848</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	25	36,573,539	34,700,163
Rental of facilities and equipment		61,769	57,299
Licences and permits		3,926,376	3,886,793
Miscellaneous other revenue		406,316	421,511
Interest- outstanding debtors		6,508,097	9,426,593
Interest received - investment		453,120	937,920
<b>Total revenue from exchange transactions</b>		<b>47,929,217</b>	<b>49,430,279</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	4,831,384	4,472,277
<b>Transfer revenue</b>			
Government grants & subsidies		94,321,624	48,328,099
Fines		445,840	2,161,665
Motor Fees		-	14,529
Fair value adjustment		2,570,211	-
<b>Total revenue from non-exchange transactions</b>		<b>102,169,059</b>	<b>54,976,570</b>
		47,929,217	49,430,279
		102,169,059	54,976,570
<b>Total revenue</b>	23	<b>150,098,276</b>	<b>104,406,849</b>
<b>Expenditure</b>			
Personnel	28	(38,896,544)	(33,532,057)
Remuneration of councillors	29	(4,161,190)	(2,802,908)
Depreciation and amortisation	31	(16,041,377)	(13,411,371)
Finance costs	32	(2,265,414)	-
Debt impairment	30	(13,091,720)	(35,711,606)
Repairs and maintenance		(8,345,283)	(11,801,664)
Bulk purchases	34	(22,564,124)	(20,184,672)
General Expenses	27	(61,989,773)	(34,518,739)
<b>Total expenditure</b>		<b>(167,355,425)</b>	<b>(151,963,017)</b>
		-	-
Total revenue		150,098,276	104,406,849
Total expenditure		(167,355,425)	(151,963,017)
<b>Operating deficit</b>		<b>(17,257,149)</b>	<b>(47,556,168)</b>
Deficit before taxation		(17,257,149)	(47,556,168)
Taxation		-	-
<b>Deficit for the year</b>		<b>(17,257,149)</b>	<b>(47,556,168)</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

	Revaluation reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand					
Opening balance as previously reported	478,361	200,557	678,918	270,346,188	271,025,106
Adjustments					
Prior year adjustments	-	-	-	157,319,396	157,319,396
<b>Balance at 01 July 2012 as restated*</b>	<b>478,361</b>	<b>200,557</b>	<b>678,918</b>	<b>427,665,584</b>	<b>428,344,502</b>
Changes in net assets					
Impairment losses on revalued capital assets	-	-	-	(140,072)	(140,072)
Net income (losses) recognised directly in net assets	-	-	-	(140,072)	(140,072)
Surplus for the year	-	-	-	(47,556,168)	(47,556,168)
Total recognised income and expenses for the year	-	-	-	(47,696,240)	(47,696,240)
Total changes	-	-	-	(47,696,240)	(47,696,240)
<b>Balance at 01 July 2013</b>	<b>478,361</b>	<b>200,557</b>	<b>678,918</b>	<b>325,606,399</b>	<b>326,285,317</b>
Changes in net assets					
Fair value gains, net of tax: Land and buildings	-	19,842	19,842	-	19,842
Net income (losses) recognised directly in net assets	-	19,842	19,842	-	19,842
Surplus for the year	-	-	-	(17,257,149)	(17,257,149)
Total recognised income and expenses for the year	-	19,842	19,842	(17,257,149)	(17,237,307)
Total changes	-	19,842	19,842	(17,257,149)	(17,237,307)
<b>Balance at 30 June 2014</b>	<b>478,361</b>	<b>220,399</b>	<b>698,760</b>	<b>308,349,250</b>	<b>309,048,010</b>
Note(s)	21				



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		37,879,055	34,700,163
Grants		71,831,829	-
Interest income		453,120	-
Other receipts		6,841,963	11,014,074
		<u>117,005,967</u>	<u>45,714,237</u>
<b>Payments</b>			
Employee costs		(43,057,734)	(36,334,965)
Suppliers		(16,992,526)	(12,800,641)
Finance costs		(2,265,414)	-
Other payments		(29,424,383)	(14,470,031)
		<u>(91,740,057)</u>	<u>(63,605,637)</u>
Total receipts		117,005,967	45,714,237
Total payments		(91,740,057)	(63,605,637)
<b>Net cash flows from operating activities</b>	15	<b>25,265,910</b>	<b>(17,891,400)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(22,995,037)	(230,057)
Purchase of other intangible assets	19	-	(425,518)
Proceeds from sale of financial assets	19	-	(594,704)
Additions to Infrastructure		(2,714,088)	-
<b>Net cash flows from investing activities</b>		<b>(28,770,975)</b>	<b>(1,844,983)</b>
<b>Cash flows from financing activities</b>			
Movement in national treasury loan		(6,295,000)	13,815,076
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,739,470)</b>	<b>(5,921,307)</b>
Cash and cash equivalents at the beginning of the year		7,107,197	13,028,504
<b>Cash and cash equivalents at the end of the year</b>	8	<b>1,367,727</b>	<b>7,107,197</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	45,061,000	(14,017,983)	31,043,017	36,573,539	5,530,522	High number of illegal connections in Swartruggens
Rental of facilities and equipment	34,740	(34,740)	-	61,769	61,769	
Licences and permits	7,457	(7,457)	-	3,926,376	3,926,376	withdrawals made against investment during the year
Miscellaneous other revenue	7,770,507	(370,361)	7,400,146	406,316	(6,993,830)	
Interest received	6,209,280	-	6,209,280	6,508,097	298,817	
Interest received - investment	-	-	-	453,120	453,120	
Total revenue from exchange transactions	59,082,984	(14,430,541)	44,652,443	47,929,217	3,276,774	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	4,857,600	-	4,857,600	4,831,384	(26,216)	
Government grants & subsidies	50,066,000	-	50,066,000	94,321,624	44,255,624	
Transfer revenue						
Fines	3,674,880	-	3,674,880	445,840	(3,229,040)	low recognition of revenue from fines
Other transfer revenue 2	-	-	-	2,570,211	2,570,211	
Total revenue from non-exchange transactions	58,598,480	-	58,598,480	102,169,059	43,570,579	
'Total revenue from exchange transactions'	59,082,984	(14,430,541)	44,652,443	47,929,217	3,276,774	
'Total revenue from non-exchange transactions'	58,598,480	-	58,598,480	102,169,059	43,570,579	
Total revenue	117,681,464	(14,430,541)	103,250,923	150,098,276	46,847,353	
Expenditure						
Personnel	35,927,903	(3,661,867)	32,266,036	(38,896,544)	(71,162,580)	Post approved on the organogram not filled during the year

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Remuneration of councillors	2,948,020	(720,167)	<b>2,227,853</b>	(4,161,190)	<b>(6,389,043)</b>	Budgetary provision was made for section 79 committee councillors but not implemented.
Depreciation and amortisation	1,661,292	(81,790)	<b>1,579,502</b>	(16,041,377)	<b>(17,620,879)</b>	
Finance costs	-	-	-	(2,265,414)	<b>(2,265,414)</b>	
Debt impairment	3,742,452	-	<b>3,742,452</b>	(13,091,720)	<b>(16,834,172)</b>	
Repairs and maintenance	-	-	-	(8,345,283)	<b>(8,345,283)</b>	
Bulk purchases	22,726,637	-	<b>22,726,637</b>	(22,564,124)	<b>(45,290,761)</b>	low consumption of electricity
Contracted Services	6,344,854	(394,400)	<b>5,950,454</b>	-	<b>(5,950,454)</b>	due to cash flow constrains, the municipality implemented austerity measures on non-essential expenditure.
General Expenses	35,930,203	(8,321,828)	<b>27,608,375</b>	(61,989,773)	<b>(89,598,148)</b>	due to cash flow constrains, the municipality implemented austerity measures on non-essential expenditure
<b>Total expenditure</b>	<b>109,281,361</b>	<b>(13,180,052)</b>	<b>96,101,309</b>	<b>(167,355,425)</b>	<b>(263,456,734)</b>	
	226,962,825	(27,610,593)	<b>199,352,232</b>	(17,257,149)	<b>(216,609,381)</b>	
<b>Deficit before taxation</b>	<b>226,962,825</b>	<b>(27,610,593)</b>	<b>199,352,232</b>	<b>(17,257,149)</b>	<b>(216,609,381)</b>	
Surplus before taxation	226,962,825	(27,610,593)	<b>199,352,232</b>	(17,257,149)	<b>(216,609,381)</b>	
Taxation	-	-	-	-	-	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>226,962,825</b>	<b>(27,610,593)</b>	<b>199,352,232</b>	<b>(17,257,149)</b>	<b>(216,609,381)</b>	

### Reconciliation

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions. Provisions are measured using managements best estimates of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effects are material. Reliance was based on expert knowledge.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

## Accounting Policies

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### 1.3 Investment property (continued)

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	5 -100 years
Furniture and fixtures	5 years
Office equipment	7 years
Computer software	3 -5 years
Infrastructure	
• Roads and Paving	5-100 years
• Pedestrian Malls	5-100 years
• Electricity	20-45 years
• Water	7-100 years
Community	
• Buildings	5-100 years
• Recreational Facilities	5-100 years
• Security Halls	5-100 years
• Libraries	5-100 years
• Parks and gardens	45 years
• Other Assets	45 years
Other property, plant and equipment	
• Other Vehicles	5-7 years
• Specialised Plant and Equipment	10-100 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.6 Financial instruments (continued)

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### 1.7 Tax

#### VAT

The entity accounts for VAT on the cash basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

### 1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

# Kgetlengrivier Local Municipality

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## Accounting Policies

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### 1.8 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

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## Accounting Policies

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### 1.10 Impairment of cash-generating assets (continued)

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

# Kgetlengrivier Local Municipality

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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### 1.12 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.



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### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 16.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Service Charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and the connections, using the tariffs approved by Council and are levied monthly.

#### Other Revenue

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.14 Revenue from exchange transactions (continued)

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.15 Revenue from non-exchange transactions (continued)

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Services in-kind

Services in-kind are recognised as revenue and as assets. Services in-kind are services provided by individuals to the municipality in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind.

The municipality may be a recipient of services in-kind under voluntary or non-voluntary schemes operated in the public interest, for example:

- (a) Technical assistance from other governments or international organisations;
- (b) local governments may receive the services of volunteer fire fighters.

Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, the municipality did not recognise any services in-kind however the services in-kind will be disclosed in the notes to the financial statements.

The disclosures will assist users to make informed judgements about the contribution made by such services to the achievement of the entity's objectives during the reporting period, and the entity's dependence on such services for the achievement of its objectives in the future

### 1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.18 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.22 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### 1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012-07-01 to 2013-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>2. Inventories</b>		
Water consumables	88,127	625,240
Stock General	45,736,440	205,514
Stock Electricity	438,686	438,686
	<b>46,263,253</b>	<b>1,269,440</b>
<b>Inventory pledged as security</b>		
No inventory was pledged as security.		
<b>3. Other financial assets</b>		
<b>At amortised cost</b>		
Other financial assets	5,685,966	5,338,204
	-	-
	-	-
	<b>5,685,966</b>	<b>5,338,204</b>
<b>Non-current assets</b>		
At amortised cost	21,199	20,124
<b>Current assets</b>		
At amortised cost	5,664,767	5,318,080
Non-current assets	21,199	20,124
Current assets	5,664,767	5,318,080
	<b>5,685,966</b>	<b>5,338,204</b>
<b>4. Receivables from exchange transactions</b>		
Trade debtors	677,883	640,554
<b>Trade and other receivables pledged as security</b>		
No trade and other receivables were pledged as security.		
<b>5. Receivables from non-exchange transactions</b>		
Fines	171,425	85,162
Other receivables from non-exchange revenue	136,713	120,274
	<b>308,138</b>	<b>205,436</b>
<b>6. VAT receivable</b>		
VAT	981,315	1,220,069

The municipality is registered on the cash basis. This means Vat is paid over to SARS only once cash is received or actual payments are made.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>7. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	6,402,643	4,745,304
Electricity	17,982,341	15,398,503
Water	24,270,969	19,694,304
Sewerage	10,006,275	8,610,791
Refuse	5,810,315	4,868,262
Other (specify)	33,503,936	27,372,435
	<b>97,976,479</b>	<b>80,689,599</b>
<b>Less: Allowance for impairment</b>		
Rates	(16,490,815)	(13,465,087)
Electricity	(32,234,941)	(27,574,928)
Water	(19,836,887)	(16,694,874)
Sewerage	(9,091,906)	(7,651,817)
Refuse	(4,959,222)	(4,173,718)
Other (specify)	(600,713)	(1,550)
	<b>(83,214,484)</b>	<b>(69,561,974)</b>
<b>Net balance</b>		
Rates	(10,088,172)	(8,719,783)
Electricity	(14,252,600)	(12,176,425)
Water	4,434,082	2,999,430
Sewerage	914,369	958,974
Refuse	851,093	694,544
Other (specify)	32,903,223	27,370,885
	<b>14,761,995</b>	<b>11,127,625</b>
<b>Rates</b>		
Current (0 -30 days)	412,198	(83,338)
31 - 60 days	310,708	295,846
61 - 90 days	292,992	266,454
91 - 120 days	285,646	(9,198,745)
121 - 365 days	(11,389,716)	-
	<b>(10,088,172)</b>	<b>(8,719,783)</b>
<b>Electricity</b>		
Current (0 -30 days)	1,327,774	2,261,040
31 - 60 days	843,121	1,298,840
61 - 90 days	538,124	698,681
91 - 120 days	501,035	(16,434,986)
121 - 365 days	(17,462,654)	-
	<b>(14,252,600)</b>	<b>(12,176,425)</b>
<b>Water</b>		
Current (0 -30 days)	1,586,131	142,171
31 - 60 days	409,117	392,455
61 - 90 days	345,292	447,777
91 - 120 days	370,118	323,471
121 - 365 days	1,723,424	1,693,556
	<b>4,434,082</b>	<b>2,999,430</b>



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>7. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	497,013	105,251
31 - 60 days	201,290	212,095
61 - 90 days	206,133	204,732
91 - 120 days	190,997	195,748
121 - 365 days	(181,064)	241,148
	<b>914,369</b>	<b>958,974</b>
<b>Refuse</b>		
Current (0 -30 days)	299,795	55,318
31 - 60 days	114,242	115,029
61 - 90 days	115,688	111,561
91 - 120 days	111,348	109,144
121 - 365 days	210,020	303,492
	<b>851,093</b>	<b>694,544</b>
<b>Other (specify)</b>		
Current (0 -30 days)	1,096,607	(19,181,394)
31 - 60 days	636,233	917,625
61 - 90 days	544,629	825,839
91 - 120 days	524,469	1,151,155
121 - 365 days	30,101,285	43,657,660
	<b>32,903,223</b>	<b>27,370,885</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(69,561,974)	(64,909,229)
Contributions to allowance	(13,652,510)	(4,652,745)
	<b>(83,214,484)</b>	<b>(69,561,974)</b>

### Consumer debtors pledged as security

No Consumer Debtors were pledged as security during the year under review.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,826	551
Bank balances	826,696	1,174,600
Short-term deposits	524,819	5,898,145
Other cash and cash equivalents	14,386	33,901
	<b>1,367,727</b>	<b>7,107,197</b>

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the bank balance and cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of bank balance and cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and the financial institutions.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque - 17-0000-0032	866,955	1,174,600	541,866	826,696	1,174,600	541,866
ABSA Bank -Call Account - 40-6946-5550	191,021	3,620,988	10,103,806	-	-	-
ABSA Bank - Call Account- 40-7406-9151	27,144	12,600	80,940	-	-	-
ABSA Bank - Call Account - 40-7406-9020	2,731	2,720	82,926	-	-	-
ABSA Bank - Cheque - 40-6045-1122	233,632	235,457	235,457	-	-	-
Bank- Fire emergency	-	-	40,211	-	-	-
FNB- Fixed deposit -710-3917-5594	21,199	20,124	-	-	-	-
FNB- Savings - 740-3742-6985	2,012	1,972	-	-	-	-
ABSA Bank- Fixed deposit - 205-937-3814	13,477	-	-	-	-	-
ABSA Bank - Call Account - 909-898-605	70,290	-	-	-	-	-
ABSA Bank - Fixed deposit - 477-232-21	11,675	-	-	-	-	-
<b>Total</b>	<b>1,440,136</b>	<b>5,068,461</b>	<b>11,085,206</b>	<b>826,696</b>	<b>1,174,600</b>	<b>541,866</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand

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2013

### 9. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	52,449,184	(1,300,550)	51,148,634	52,449,184	(1,237,935)	51,211,249
Infrastructure	366,003,735	(188,179,190)	177,824,545	340,113,152	(176,984,352)	163,128,800
Community	62,432,371	(36,309,417)	26,122,954	62,432,371	(33,239,225)	29,193,146
Work-in-progress	9,293,924	-	9,293,924	11,554,592	-	11,554,592
Other assets	12,381,138	(4,124,746)	8,256,392	12,612,696	(2,851,749)	9,760,947
<b>Total</b>	<b>502,560,352</b>	<b>(229,913,903)</b>	<b>272,646,449</b>	<b>479,161,995</b>	<b>(214,313,261)</b>	<b>264,848,734</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land and Buildings	51,211,249	-	-	(62,615)	51,148,634
Infrastructure	163,128,800	25,890,583	-	(11,194,838)	177,824,545
Community	29,193,146	-	-	(3,070,192)	26,122,954
Work-in-progress	11,554,592	23,629,915	(25,890,583)	-	9,293,924
Other assets	9,760,947	209,177	-	(1,713,732)	8,256,392
	<b>264,848,734</b>	<b>49,729,675</b>	<b>(25,890,583)</b>	<b>(16,041,377)</b>	<b>272,646,449</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Land and Buildings	51,227,432	-	(16,183)	51,211,249
Infrastructure	166,411,186	6,254,906	(9,537,292)	163,128,800
Community	29,674,785	-	(481,639)	29,193,146
Work-in-progress	11,554,592	-	-	11,554,592
Other assets	14,792,151	127,712	(5,158,916)	9,760,947
	<b>273,660,146</b>	<b>6,382,618</b>	<b>(15,194,030)</b>	<b>264,848,734</b>

### 10. Payables from exchange transactions

Trade payables	32,932,145	12,800,646
Retention	6,474,529	5,343,884
Accrued bonus	1,720,919	761,682
Accrued expenses	2,587,967	1,131,166
VAT suspense	2,433,106	5,272,847
	<b>46,148,666</b>	<b>25,310,225</b>

### 11. Financial instruments disclosure

#### 12. Consumer deposits

Water and Electricity	1,722,769	1,642,295
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No interest is paid on consumer deposits.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>13. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	2,520,095	4,091,834
Bojanala Platinum District Municipality Grant	270,318	1,187,420
Library Grant	170,459	242,767
MSIG	(4,235)	1,858
Provincial Infrastructure Grant	4,127,768	5,755,562
Financial Management Grant	-	(396,908)
Provincial Government Cleaning Campaign Project Grant	(48,081)	(48,081)
Regional Bulk Infrastructure	354,077	-
RDP Housing Projects	65,947	66,906
	<b>7,456,348</b>	<b>10,901,358</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	10,901,358	27,176,263
Additions during the year	71,831,829	81,961,200
Income recognition during the year	(75,276,839)	(98,236,105)
	<b>7,456,348</b>	<b>10,901,358</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 14. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	9,000,000	3,565,630	-	12,565,630
Provision for leave pay	2,472,155	264,306	(87,062)	2,649,399
Provision for long service awards	-	1,799,000	-	1,799,000
	<b>11,472,155</b>	<b>5,628,936</b>	<b>(87,062)</b>	<b>17,014,029</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	1,243,095	7,756,905	-	-	9,000,000
Settlement agreements	1,200,000	-	(1,200,000)	-	-
Leave reserve funds	2,125,180	346,975	-	-	2,472,155
Long service awards	1,242,000	-	(46,961)	(1,195,039)	-
	<b>5,810,275</b>	<b>8,103,880</b>	<b>(1,246,961)</b>	<b>(1,195,039)</b>	<b>11,472,155</b>

The provision is classified as a current liability as the municipality has not obtained a license to operate all three landfill sites as yet.

#### Wage curve agreement

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional payable for employee wages, depending on the outcome of the pending litigation. It is not practical to reliably estimate the amount of this payable prior to the outcome of the pending litigations

### 15. Cash generated from (used in) operations

Deficit	(17,257,149)	(47,556,168)
<b>Adjustments for:</b>		
Depreciation and amortisation	16,041,377	13,411,371
Debt impairment	(13,091,720)	(4,562,744)
Movements in retirement benefit assets and liabilities	13,809,000	-
Movements in provisions	5,541,874	6,856,919
Other non-cash items	71,031,540	7,513,698
Other non-cash items	19,842	200,557
<b>Changes in working capital:</b>		
Inventories	(44,993,813)	2,106,994
Receivables from exchange transactions	(37,329)	-
Consumer debtors	(2,569,228)	20,177,171
Other receivables from non-exchange transactions	(102,702)	509,657
VAT	238,754	(545,427)
Unspent conditional grants and receipts	(3,445,010)	(16,274,905)
Consumer deposits	80,474	271,477
	<b>25,265,910</b>	<b>(17,891,400)</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

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### 16. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is been sued for violation of copyrights. The municipality's share of the potential claim amounts to R -. The associates lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and is currently able to meet all of its present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

### Contingent liabilities

Mary-Ann Nomvula Mpompi- Opposing application of the arbitration Award in favour of the employer	30,000	-
Andrew Manicus- unfair labour practice dispute related to remuneration and post description	250,000	-
Maseko Joseph- Application for condonation in terms of clause 6.3 of SALGBCDPCCA	275,000	-
Abram Molefe- Application for condonation in terms of clause 6.3 of SALGBCDPCCA	275,000	-
Steve Shokoane- unfair labour practice	350,000	-
Modise and 5 others- Application for condonation in terms of clause 6.3 of SALGBCDPCCA	275,000	-
Neo Motsatsi- Kalil - Allegations of financial misconduct	450,000	-
Nel CEM- disconnection of electricity	300,000	150,000
MJ Letsholo Vs KRLM- damages	250,000	-
Rehabilitation cost of unlicensed landfill sites	12,565,630	9,000,000
Irregularities at Swartruggens driving license testing centre	300,000	-
Action on outstanding traffic fines	350,000	-
Du Toit and Others	304,000	-
Legal Opinion	49,959	-
	<b>16,024,589</b>	<b>9,150,000</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 17. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	8,347,001	10,232,365
• Open orders	458,256	313,897
	<b>8,805,257</b>	<b>10,546,262</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	227,256	-
- in second to fifth year inclusive	397,698	-
	<b>624,954</b>	<b>-</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

### 18. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57,579,436	-	57,579,436	55,009,225	-	55,009,225

#### Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	55,009,225	2,570,211	57,579,436

#### Reconciliation of investment property - 2013

	Opening balance	Fair value adjustment	Total
Investment property	51,510,212	3,499,013	55,009,225

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 18. Investment property (continued)

- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

### 19. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	425,518	-	425,518	425,518	-	425,518

#### Reconciliation of intangible assets - 2014

	Opening balance	Total
Computer software, other	425,518	425,518

#### Reconciliation of intangible assets - 2013

	Opening balance	Total
Computer software, other	425,518	425,518

### 20. Employee benefit obligations

#### Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined contribution obligation as at previous valuation date	13,590,000	12,224,000
Actuarial (Gain)/Loss	(1,247,000)	168,000
Current service cost	801,000	629,000
Interest cost	1,086,000	977,000
Benefits paid	(421,000)	(408,000)
	<b>13,809,000</b>	<b>13,590,000</b>

The municipality has no further obligation to cover unfunded benefits.



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 20. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.94 %	7.40 %
Expected rate of return on assets	7.05 %	5.66 %
Expected rate of return on reimbursement rights	8.05 %	6.66 %
Actual return on reimbursement rights	0.82 %	0.70 %

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

#### Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

### 21. Revaluation reserve

Opening balance	478,361	478,361
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### 22. Other financial liabilities

### 23. Revenue

Service charges	36,573,539	34,700,163
Rental of facilities and equipment	61,769	57,299
Licences and permits	3,926,376	3,886,793
Miscellaneous other revenue	406,316	421,511
Interest received	6,508,097	9,426,593
Interest received - investment	453,120	937,920
Property rates	4,831,384	4,472,277
Government grants & subsidies	94,321,624	48,328,099
Fines	445,840	2,161,665
Motor Fees TPA	-	14,529
Other transfer revenue 2	2,570,211	-
	<b>150,098,276</b>	<b>104,406,849</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	36,573,539	34,700,163
Rental of facilities and equipment	61,769	57,299
Licences and permits	3,926,376	3,886,793
Miscellaneous other revenue	406,316	421,511
Interest on investment	6,508,097	9,426,593
Interest received - investment	453,120	937,920
	<b>47,929,217</b>	<b>49,430,279</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>23. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	4,831,384	4,472,277
<b>Transfer revenue</b>		
Government grants & subsidies	94,321,624	48,328,099
Fines	445,840	2,161,665
Motor Fees-TPA received	-	14,529
Other transfer revenue 2	2,570,211	-
	<b>102,169,059</b>	<b>54,976,570</b>
<b>24. Property rates</b>		
<b>Rates received</b>		
Property tax	4,831,384	4,472,277
<b>25. Service charges</b>		
Sale of electricity	25,989,356	25,016,796
Sale of water	5,982,587	5,269,660
Sewerage and sanitation charges	3,000,669	2,889,611
Refuse removal	1,600,927	1,524,096
	<b>36,573,539</b>	<b>34,700,163</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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### 26. Government grants and subsidies

Equitable share	46,026,000	41,141,000
Bojanala Financial Support Grant	3,946,396	800,000
Financial Management Grant	1,253,092	1,031,059
Department of Mineral and Energy	-	161,372
Library Grant	572,345	463,153
Municipal Infrastructure Grant	22,657,614	2,460,914
Municipal Systems Improvement Grant	896,093	798,141
Local Government SETA transfer	6,580,256	472,460
Expandable Public Works Programme Grant	1,000,000	1,000,000
DWAF	11,389,828	-
	<b>94,321,624</b>	<b>48,328,099</b>

#### Equitable Share

##### Municipal Infrastructure Grant

Balance unspent at beginning of year	4,091,834	14,408,466
Current-year receipts	21,083,000	20,137,000
Conditions met - transferred to revenue	(22,654,738)	(18,248,632)
Long term liability-National Treasury	-	(12,205,000)
	<b>2,520,096</b>	<b>4,091,834</b>

Conditions still to be met - remain liabilities (see note 13).

##### Bojanala Platinum District Municipality Grant

Balance unspent at beginning of year	1,187,420	2,206,639
Current-year receipts	3,080,000	1,000,000
Conditions met - transferred to revenue	(3,997,103)	(2,019,219)
	<b>270,317</b>	<b>1,187,420</b>

Conditions still to be met - remain liabilities (see note 13).

##### Library Grant

Balance unspent at beginning of year	242,767	236,883
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(572,345)	(494,116)
	<b>170,422</b>	<b>242,767</b>

Conditions still to be met - remain liabilities (see note 13).

##### Municipal Systems Improvement Grant

Balance unspent at beginning of year	1,858	800,000
Current-year receipts	890,000	-
Conditions met - transferred to revenue	(896,093)	(798,142)
	<b>(4,235)</b>	<b>1,858</b>

Conditions still to be met - remain liabilities (see note 13).

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>26. Government grants and subsidies (continued)</b>		
<b>Provincial Infrastructure Grant</b>		
Balance unspent at beginning of year	5,755,562	4,357,666
Current-year receipts	4,480,000	12,500,000
Conditions met - transferred to revenue	(6,107,794)	(11,102,104)
	<b>4,127,768</b>	<b>5,755,562</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	(396,908)	(865,849)
Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,253,092)	(1,031,059)
	<b>-</b>	<b>(396,908)</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Indigent Grant</b>		
Balance unspent at beginning of year	-	546,293
Other	-	(546,293)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 13).		
<b>Provincial Government Cleaning Campaign Project Grant</b>		
Balance unspent at beginning of year	(48,081)	(48,081)
Conditions still to be met - remain liabilities (see note 13).		
<b>Regional Bulk Infrastructure</b>		
Current-year receipts	354,077	-
Conditions still to be met - remain liabilities (see note 13).		
<b>RDP Housing Project</b>		
Balance unspent at beginning of year	66,906	66,906
Conditions met - transferred to revenue	(959)	-
	<b>65,947</b>	<b>66,906</b>
Conditions still to be met - remain liabilities (see note 13).		
Provide explanations of conditions still to be met and other relevant information.		
<b>Expandable Public Works Programme Grant</b>		
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	<b>-</b>	<b>-</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 13).		
<b>27. General expenses</b>		
Advertising	1,226,018	595,264
Auditors remuneration	4,574,927	2,948,256
Bank charges	406,919	455,059
Cleaning	3,172,364	2,496,740
Computer expenses	-	19,751
Consulting and professional fees	25,274,451	11,514,512
Consumables	1,215,823	827,764
Donations	1,275	2,241,592
Entertainment	223,214	206,386
Insurance	354,391	346,230
Lease rentals on operating lease	449,549	358,323
Packaging	(900)	729,475
Fuel and oil	1,742,293	1,829,459
Postage and courier	625,664	707,267
Promotions	6,890	650
Protective clothing	364,873	230,632
Security (Guarding of municipal property)	2,227,021	1,909,189
Software expenses	1,860,424	2,935,379
Staff welfare	351,654	4,928
Subscriptions and membership fees	10,802	402,262
Telephone and fax	22,693	22,990
Training	437,598	175,709
Travel - local	546,634	1,388,508
Township development	81,140	886,675
Valuation Costs	722,096	60,999
Bursaries	-	11,970
Provision for bonus	2,758,238	369,666
Other expenses	13,333,722	843,104
	<b>61,989,773</b>	<b>34,518,739</b>

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>28. Employee related costs</b>		
Basic	23,542,824	23,063,211
Bonus	1,718,325	1,598,292
Medical aid - company contributions	6,251,822	1,697,508
UIF	208,676	238,670
SDL	266,207	278,161
Overtime payments	1,099,872	1,462,460
Housing benefits and allowances	1,514,956	1,170,413
Contributions	3,860,280	3,526,681
Group life insurance	67,004	69,917
Standby Allowance	366,578	426,744
	<b>38,896,544</b>	<b>33,532,057</b>
<b>Remuneration of Acting Municipal Manager</b>		
Annual Remuneration	678,410	678,410
Contributions to UIF, Medical and Pension Funds	10,497	10,497
Allowances	238,137	238,137
Acting Allowance-Acting MM	394,964	163,546
	<b>1,322,008</b>	<b>1,090,590</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration	521,976	531,362
Contributions to UIF, Medical and Pension Funds	21,285	7,765
Allowances	173,992	136,125
Acting Allowance	-	174,744
Cellphone Allowance	12,000	3,000
	<b>729,253</b>	<b>852,996</b>
<b>Remuneration of Executive Directors</b>		
Annual Remuneration	921,904	958,472
Contributions to UIF, Medical and Pension Funds	19,999	17,438
Allowances	331,302	331,302
Acting Allowances	151,853	173,547
	<b>1,425,058</b>	<b>1,480,759</b>
<b>29. Remuneration of councillors</b>		
Executive Mayor	1,912,026	632,898
Councillors	2,027,264	1,924,078
Councillors' pension contribution	221,900	245,932
	<b>4,161,190</b>	<b>2,802,908</b>
<b>30. Debt impairment</b>		
Debt impairment	13,091,720	35,711,606
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	16,041,377	13,411,371

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

Figures in Rand	2014	2013
<b>32. Finance costs</b>		
Trade and other payables	2,265,414	-
<b>33. Auditors' remuneration</b>		
Fees	4,574,927	2,948,256
<b>34. Bulk purchases</b>		
Electricity	20,405,869	19,440,456
Water	2,158,255	744,216
	<b>22,564,124</b>	<b>20,184,672</b>

### 35. Related parties

Transactions took place between the municipality and key management personnel or their close family members during the reporting period. Details relating remuneration of key personnel is disclosed in the employee related cost note.

#### Related party transactions

##### Purchases from (sales to) related parties

Tlong Funeral Services	8,000	-
Moedi wa Batho Consulting Engineers	11,389,829	-

### 36. Prior period errors

**Fixed Assets:** During the 2012/13 year, the municipality embarked on a project to reconstruct the property plant and equipment, intangible and investment property asset registers of the municipality. The property, plant and equipment, intangible and investment register figures have been restated.

**Provision for post employment benefits:** The actuarial figures recognised for 2012\2013 have been restated.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	94,532,653
Investment Property	-	55,009,225
Intangible Assets	-	425,518
Consumer debtors	-	(18,703,031)
Provision for post employment benefits	-	1,195,039
Opening Accumulated Surplus or Deficit	-	(139,734,636)
Unidentified direct deposits	-	(9,258,121)
Other liability	-	758,121
National treasury	-	8,500,000
Unspent conditional grants	-	(1,275,768)
Non-current assets held for sale	-	(3,140,000)

#### Statement of Financial Performance

Employee cost	-	122,961
General expenses	-	(1,241,231)
Bad debts	-	18,703,031

# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

	2014	2013
<b>37. Risk management</b>		
<b>Financial risk management</b>		
<p>This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.</p> <p>The Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The entity monitors and manages the financial risks relating to the operations of the economic entity through internal risk reports which analyse exposures by degree and magnitude of risks. The entity has exposure to the following financial risks from its use of financial instruments:</p> <ul style="list-style-type: none"><li>- credit risk</li><li>- liquidity risk; and</li><li>- market risk (including interest rate risk and price risk).</li></ul> <p>The economic entity seeks to minimise the effects of these risks in accordance with the economic entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.</p>		
<b>Liquidity risk</b>		
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p>		
<b>38. Unauthorised expenditure</b>		
Unauthorised expenditure	35,542,845	33,314,756
<b>39. Fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure	2,293,731	755,438
<p>Fruitless and Wasteful expenditure relates to interest charges incurred on late payments to Eskom, Auditor General and Magalies water.</p>		
<b>40. Irregular expenditure</b>		
Opening balance	7,168,751	5,577,231
Add: Irregular Expenditure - current year	123,581	1,591,520
	<b>7,292,332</b>	<b>7,168,751</b>
<p>Irregular expenditure is as a consequence of contravention to SCM policy.</p>		
<b>41. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	15,230	15,137
Amount paid - current year	(15,230)	(15,137)
	-	-
<b>PAYE and UIF</b>		
Opening balance	319,208	214,904
Current year subscription / fee	3,488,107	1,166,016
Amount paid - current year	(3,561,060)	(1,061,712)
	<b>246,255</b>	<b>319,208</b>



# Kgetlengrivier Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## Notes to the Annual Financial Statements

	2014	2013
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### 41. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Opening balance	700,201	3,060,816
Current year subscription / fee	9,173,169	2,849,541
Amount paid - current year	(4,413,733)	(5,210,156)
	<b>5,459,637</b>	<b>700,201</b>

#### VAT

VAT receivable	981,315	1,220,069
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All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr OD Medupe	376	-	376
Cllr TG Naledi	291	3,900	4,191
Cllr KR Lekabe	217	-	217
Cllr ML Molefe	296	6,583	6,879
Cllr PR Zwede	231	2,997	3,228
Cllr OS Molusi	1,525	-	1,525
	<b>2,936</b>	<b>13,480</b>	<b>16,416</b>

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr KK Tlale	1,447	-	1,447
Cllr PR Zwede	193	1,457	1,650
Cllr ML Molefe	745	4,211	4,956
Cllr KR Lekabe	868	5,059	5,927
Cllr PJ Selolo	437	832	1,269
	<b>3,690</b>	<b>11,559</b>	<b>15,249</b>

### 42. Distribution losses

#### Water distribution losses

Kl lost	642,044	-
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#### Electricity distribution losses

Kwh lost	14,218,366	-
	<b>14,860,410</b>	<b>-</b>

The percentage of kilolitres lost amounts to 39.19 %. The percentage of kilowatts lost amounts to 40.56%

Kgetlengrivier Local Municipality

Appendix D

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
					Jun				Jun	Yes/ No
Municipal Infrastructure Grant		7,000,000	-	14,083,000	-	(6,270,656)	(2,176,377)	(8,073,120)	(8,558,610)	Yes
Provincial Infrastructure Grant		-	2,240,000	2,240,000	-	-	-	(279,186)	(73,046)	Yes
Municipal Infrastructure Grant		7,000,000	-	14,083,000	-	-	-	-	-	Yes
Financial Management Grant		1,650,000	-	-	-	(432,024)	(421,616)	(241,759)	(158,428)	Yes
Municipal Systems Improvement Grant		890,000	-	-	-	(354,500)	(207,658)	(263,935)	(66,000)	Yes
Library Grant		-	-	500,000	-	(91,714)	(174,063)	(168,797)	(138,422)	Yes
BPDM Grant		1,000,000	2,000,000	-	80,000	-	(2,190,775)	-	(1,806,328)	
EPWP Grant		400,000	300,000	300,000	-	-	-	-	-	Yes
DWAF Grant		1,990,121	-	4,880,035	-	(960,255)	(2,401,864)	(7,196,196)	-	Yes
		-	-	-	-	-	-	-	-	
		19,930,121	4,540,000	36,086,035	80,000	(8,109,149)	(7,572,353)	(16,222,993)	(10,800,834)	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.